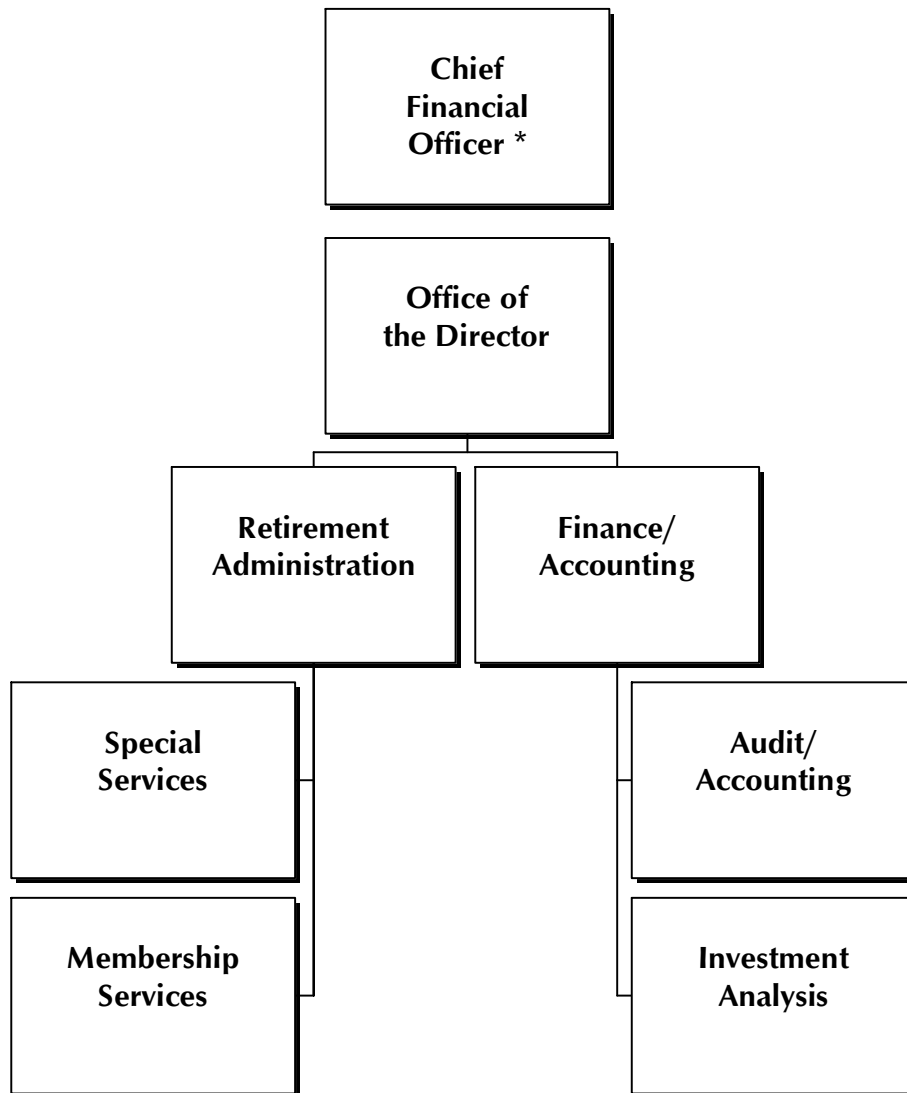


Fund 500

Retiree Health Benefits Fund



* The Chief Financial Officer has a liaison role for strategic direction and oversight of this agency; however, for budget purposes, that position and associated funding are reflected within the Department of Management and Budget.

Fund 500

Retiree Health Benefits Fund

Focus

Fund 500, Retiree Health Benefits, provides monthly subsidy payments to eligible retirees of the County to help pay for health insurance. Prior to July 2003, the monthly subsidy was \$100 for all eligible retirees. The current monthly subsidy, approved in FY 2005, commences at age 55 and varies by length of service and Medicare eligibility as detailed in the following table. Note: For those retired prior to July 2003, the monthly subsidy is the greater of \$100 and the amounts below. There is not a reduction in subsidy payments for employees who retired prior to July 1, 2003 but do not meet the revised requirements for years of service. However, those employees who retired prior to July 1, 2003 with 15 or more years of service were eligible for the increased subsidy as of July 1, 2003.

Current Retiree Health Benefit Subsidies		
Years of Service at Retirement	Monthly Subsidy Before age 65	Monthly Subsidy After age 65
5 to 9	\$25	\$15
10 to 14	\$50	\$25
15 to 19	\$125	\$100
20 to 24	\$150	\$150
25 or more	\$175	\$175

During FY 2006, the average number of subsidy recipients, including new retirees who are eligible to receive the subsidy, is expected to increase by 160, or 8.1 percent, from 1,979 in FY 2005 to 2,139 in FY 2006. Estimates of the average number of subsidy recipients are based on a review of the projected number of retirements and health subsidy eligibility for personnel already retired from the Fairfax County Employees', Uniformed, and Police Officers Retirement Systems. Retirees who become eligible to receive the subsidy are paid based on the period of eligibility within the fiscal year, which may or may not comprise a full year of payments.

In FY 2006, the General Fund Transfer will increase by \$118,389, or 3.2 percent, over the *FY 2005 Revised Budget Plan* level of \$3,699,721, to \$3,818,110.

It should be noted that beginning in FY 2008 the County's financial statements will be required to implement Governmental Accounting Standards Board (GASB) Statement No. 45 for post employment benefits including health care, life insurance, and other non-retirement benefits offered to retirees. This new standard addresses how local governments should account for and report their costs related to postemployment healthcare and other non-pension benefits, such as the County's retiree health benefit subsidy. Currently, the County's subsidy is funded on a pay-as-you-go basis. GASB 45 will require that the County accrue the cost of these postemployment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension/retirement benefits. The County will have the option of continuing to fund benefit payments as they come due, which would result in a large unfunded liability, or prepay during employees' active employment in order to decrease the unfunded liability. In FY 2006, the County will continue to examine the advantages and disadvantages of each option to insure that the County responds to the new GASB standard properly, while maintaining the fiscal integrity of the County.

Initiatives

- ◆ Provide appropriate funding level to support the retiree health insurance benefit subsidy.
- ◆ Continue to allow for the timely and accurate distribution of retiree health insurance subsidy payments.
- ◆ Estimate actuarial liabilities and develop an implementation plan to comply with the Governmental Accounting Standards Board's new accounting requirements for post-employment benefits other than pensions.

Fund 500 Retiree Health Benefits Fund

FY 2006 Funding Adjustments

The following funding adjustments from the FY 2005 Revised Budget Plan are necessary to support the FY 2006 program:

- ◆ **Employee Compensation** **\$5,921**
An increase of \$5,921 in Personnel Services associated with salary adjustments necessary to support the County's compensation program. Note: 1/1.0 SYE position in the Retirement Administration Agency is financed by this fund. For more information on positions in the Retirement Administration Agency, refer to Fund 600, Uniformed Retirement, Fund 601, Fairfax County Employees' Retirement, and Fund 602, Police Officers Retirement, in Volume 2 of the FY 2006 Adopted Budget Plan.
- ◆ **Benefit Payments** **\$127,715**
An increase of \$127,715 in benefit payments based on the current and projected rate of participation.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2006 Advertised Budget Plan, as approved by the Board of Supervisors on April 25, 2005:

- ◆ The Board of Supervisors made no adjustments to this fund.

Changes to FY 2005 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2005 Revised Budget Plan since passage of the FY 2005 Adopted Budget Plan. Included are all adjustments made as part of the FY 2004 Carryover Review and all other approved changes through December 31, 2004:

- ◆ There have been no revisions to this fund since the approval of the FY 2005 Adopted Budget Plan.

The following funding adjustments reflect all approved changes to the FY 2005 Revised Budget Plan from January 1, 2005 through April 18, 2005. Included are all adjustments made as part of the FY 2005 Third Quarter Review:

- ◆ The Board of Supervisors made no adjustments to this fund.

Fund 500

Retiree Health Benefits Fund

FUND STATEMENT

Fund Type G50, Internal Service Funds

Fund 500, Retiree Health Benefits

	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan	FY 2006 Adopted Budget Plan
Beginning Balance	\$140,941	\$137,378	\$255,003	\$152,625	\$152,625
Transfer In:					
General Fund (001)	\$3,088,744	\$3,699,721	\$3,699,721	\$3,818,110	\$3,818,110
Total Transfer In	\$3,088,744	\$3,699,721	\$3,699,721	\$3,818,110	\$3,818,110
Total Available	\$3,229,685	\$3,837,099	\$3,954,724	\$3,970,735	\$3,970,735
Expenditures:					
Benefits Paid	\$2,891,130	\$3,718,975	\$3,718,975	\$3,846,690	\$3,846,690
Administrative	83,552	83,124	83,124	89,045	89,045
Total Expenditures	\$2,974,682	\$3,802,099	\$3,802,099	\$3,935,735	\$3,935,735
Total Disbursements	\$2,974,682	\$3,802,099	\$3,802,099	\$3,935,735	\$3,935,735
Ending Balance¹	\$255,003	\$35,000	\$152,625	\$35,000	\$35,000

¹ The Ending Balance fluctuates based on the use of balance to fund retiree health subsidy payments and to offset General Fund requirements. This policy reflects the recognition that the General Fund should receive credit for any balances that are available at year-end.